

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 DODE-00 EB-07 FPC-01 H-01 INR-05 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01 PRS-01 USIA-06

SAB-01 NIC-01 /088 W

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R 180759Z DEC 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1770

INFO USDOC WASHDC

AMEMBASSY BEIRUT

AMEMBASSY TEHRAN

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COMMERCE FOR MEPD

E.O. 11652: N/A

TAGS: BEXP, BMEP, ENRG, EIND KU

SUBJECT: MAJOR PROJECT: KUWAIT LPG PLANT: OIL PRODUCTION
IMPLICATIONS

REF: KUWAIT 5132

1. BECHTEL REP INFORMED EMBOFF DECEMBER 17 THAT HE ANTICIPATES
LPG BID DOCUMENTS WILL BE RELEASED JANUARY 15, WHICH AS PRE-
VIOUSLY REPORTED WOULD MEAN SLIPPAGE OF ONE MONTH FROM ORIGINAL
SCHEDULE. TWELVE WEEKS WILL BE ALLOWED FOR RESPONSES WITH ANOTHER
MONTH FOR SELECTION/NEGOTIATIONS. BECHTEL REP PREDICTED AWARD
OF CONTRACTS AROUND MID-APRIL 1975. MEANWHILE, BECHTEL ITSELF
WILL BE NEGOTIATING WITH GOK FOR PROJECT SUPERVISION CONTRACT.

2. BECHTEL REP SAID TWO PROBLEMS WERE HOLDING PROJECT BACK.

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ONE WAS TECHNICAL; BECHTEL WISHED TAKE MORE CONSERVATIVE,

MORE EXPENSIVE APPROACH WHILE GOK/KOC SUGGESTED LESS CONSERVATIVE AND EXPENSIVE APPROACH. BECHTEL APPARENTLY HAS DEFERRED TO GOK/KOC WITH IDEA THAT IF NECESSARY LATER ADDITIONAL WORK CAN BE DONE.

3. MORE DIFFICULT PROBLEM IS THAT GOK MUST AT ONE POINT ADVISE WHAT LEVEL OF CRUDE PRODUCTION WILL BE. ORIGINALLY BECHTEL WAS ADVISED THAT 3 MILLION BPD WAS LEVEL TO BE ASSUMED, BUT THAT WAS BEFORE LAST YEAR'S EMBARGO AND LOWER LEVEL OF PRODUCTION WHICH HAD EXISTED SINCE THEN. GOK, IN EFFECT, BEING FORCED TO COME TO GRIPS WITH LONG TERM PRODUCTION POLICY ALTERNATIVES AND REACH DECISION SO THAT LPG PROJECT CAN MOVE FORWARD.

4. IN ADDITION TO THESE PROBLEMS BECHTEL SOURCE ADMITTED THAT MINISTRY FINANCE AND OIL OFFICIALS, PARTICULARLY PROJECT OFFICER, HAVING DIFFICULTY KEEPING UP WITH THIS VERY LARGE PROJECT. AS REPORTED EARLIER KOC BEING ASKED TO HELP, AND AMINOIL WILL ASSIST GOK IN SELECTING PERSONNEL. WE UNDERSTAND THAT THERE GOOD CHANCE AMERICAN WILL BE CHOSEN TO BE COMPTORLLER FOR GOK, AND LOCAL ARTHUR YOUNG REP LEAVING KUWAIT SOON TO INTERVIEW 12 AMERICANS AND 6 EUROPEANS, ONE OF WHOM WILL BE SELECTED. IN ADDITION, AFTER DEBATING WHETHER TOP RESIDENT BECHTEL ENGINEER SHOULD BE ENGLISHMAN OR AMERICAN, APPEARS COMPANY HAS DECIDED AMERICAN SHOULD BE SENT HERE.

5. COMMENT: EVEN IF GOK SHOULD DECIDE LPG PROJECT SHOULD BE PREDICATED ON 3 MILLION BPD CRUDE PRODUCTION LEVEL, IT WILL NOT BY ITSELF SIGNIFY AN EARLY RESUMPTION OF THAT LEVEL OF PRODUCTION. ON OTHER HAND IF 2.5 MILLION BPD LEVEL IS DECIDED UPON IT WILL SUGGEST THAT GOK HAS DECIDED TO KEEP PROJECTION DOWN TO THAT LEVEL FOR INDEFINITE FUTURE. WE THINK DECISION COULD GO EITHER WAY, BUT IF WE HAD TO PREDICT WE THINK 2.5 MILLION BPD LEVEL MORE LIKELY, PARTLY BECAUSE THAT OPTION IN TERMS OF LPG PROJECT WOULD BE CHEAPER INITIALLY AND ALSO AVOID RAISING EMBARRASSING QUESTIONS IN NATIONAL ASSEMBLY. ANOTHER POTENTIAL FACTOR IS WHETHER OFF-SHORE UNASSOCIATED GAS WILL BE USED. SO FAR GOK HAS NEVER SAID ANYTHING TO BECHTEL, BUT OPTION COULD EXIST. IF OFF-SHORE GAS WERE USED, LPG IMPACT ON CURDE PRODUCTION WOULD BE SIGNIFICANTLY DIMINISHED.
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